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Cincinnati Bell Telephone
201 E. Fourth St., 102-910
P. O. Box 2301
Cincinnati, Ohio 45201-2301
Phone: (513) 397-6699
Fax: (513) 397-2408
gbaldrate@cinbell.com

EX PARTE OR LATE FILED

Eugene J. Baldrate
Vice President - Regulatory Affairs

May 29, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RE: Ex Parte Letter
CC Docket No. 96-45
CC Docket No. 96-262

Dear Ms. Salas:

Cincinnati Bell Telephone is filing this ex parte letter in response to a request from Mr. Rich Lerner of the Commission's Common Carrier Bureau that all price cap LECs respond to a recent ex parte made by AT&T. In addition, Mr. Lerner requested information regarding the impact of some other access charge modifications on the company.[1]

In a May 19, 1998 ex parte filing AT&T reviewed several alternative approaches for assessing and collecting universal service contributions.[2] The alternatives explore recovery of universal service contributions on a per line basis. AT&T suggests that this could be accomplished through an increase in the subscriber line charge (SLC), through a separate other charge on the LEC bill, or by interexchange carriers. It is also suggested that direct collection by the LECs would be the most efficient collection mechanism.

AT&T's suggestion that universal service contributions be collected directly by LECs rather than IXCs may be more efficient for the IXCs, but it is hardly more efficient for the LECs. Furthermore, having LECs collect the IXC's universal service obligation in addition to their own contribution would violate the 1996 Act's requirement that *all telecommunications carriers* that provide interstate telecommunications services contribute on an *equitable and nondiscriminatory* basis. If LECs are required to collect the IXCs' share, one could hardly argue that all telecommunications carriers that provide interstate telecommunications services are contributing to universal service. Moreover,

[1] Mr. Lerner's requests were conveyed to CBT via Mr. Frank McKennedy of the United States Telephone Association on May 27, 1998.
[2] See, letter to Ms. Magalie Roman Salas, Secretary, Federal Communications Commission, Re: Ex parte - CC Docket No. 96-45 (Universal Service) from Rick D. Bailey, Vice President - Federal Government Affairs, AT&T, filed May 19, 1998.

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in the recent Local Number Portability Order the Commission concluded that "all telecommunications carriers" cannot be construed to exclude *any* carriers from their obligation to share in the costs of establishing number portability.[3] Likewise, in the case of universal service, the Commission cannot exempt a class of carriers from contributing to universal service funding without violating the Act's requirement that all telecommunications carriers with interstate revenue contribute.

Even if the Commission could rationalize some way around the requirement that all carriers with interstate revenue contribute, requiring the LECs to collect the entire amount would still violate the universal service principle that the contributions be equitable and nondiscriminatory. To require only LECs to assess a universal service charge to recover their contribution and the IXCs' contributions at the same time the IXCs are beginning to offer local exchange service to these same LEC customers would violate the principle of an equitable and nondiscriminatory recovery mechanism. Moreover, the LECs would be disadvantaged relative to other competitors that presumably would not be required to collect the charge for the IXCs.

Although CBT opposes any alternative which requires the LECs to collect the IXCs' universal service obligations, CBT supports the concept of *all* carriers recovering their universal service contributions directly from end users via an explicit per line charge. CBT believes that such a collection mechanism would be the most equitable means for collecting universal service funds. If CBT were to collect its estimated 1998 universal service obligation[4] via a per line charge, the charge would be approximately $0.72 per line per month. Because of the billing system changes and customer notification that would be necessary before the new charge could be implemented, it would be impossible for CBT to implement the charge beginning July 1, 1998. CBT could however, implement the charge beginning January 1, 1999.

Mr. Lerner also asked for information about two possible changes to the PICC. Under the first scenario the PICC rate would be set at zero for six months beginning July 1, 1998. Under the second scenario the PICC rate on non-primary residential lines would be set at $0.53 for six months beginning July 1, 1998. The impact of each of these options on CBT's carrier common line originating and terminating minute of use rates is shown below:

	ACCESS RATES AS OF 1/1/98	OPTION 1 PICC @ ZERO	OPTION 2 NON-PRIM @ $0.53
CARRIER COMMON LINE			
ORIGINATING	$ 0.0062190	$ 0.0093940	$ 0.0065157
TERMINATING	$ 0.0001620	$ 0.0043665	$ 0.0002544

[3] See, Telephone Number Portability, Third Report and Order, CC Docket No. 95-116, FCC 98-82, released May 12, 1998, at para. 113.

[4] CBT's 1998 estimated contribution is based on the universal service contribution factors proposed for the high cost/low income, schools and libraries, and rural health care funds for the third quarter of 1998. Public Notice DA 98-856, CC Docket No. 96-45, released May 13, 1998.

If a decision to adopt either of these changes were made in time for CBT to incorporate the change into its June 16th access tariff filing, CBT would be able to implement the change beginning July 1, 1998.

I trust that this letter is responsive to Mr. Lerner's request. However, if there are any questions, please contact me or Ted Heckmann at 513-397-1375.

In accordance with Section 1.1206(a)(2) of the Commission's rules, two copies of this letter are being filed with the Secrctary of the Commission.

Sincerely,

Eugene J. Baldrate

Eugene J. Baldrate

c: Rich Lerner